

UTAH HOUSING CORPORATION
Minutes of Regular Meeting
February 25, 2016

PARTICIPANTS

Trustees:

Kay Ashton, Chair
Lerron Little, Vice Chair
David Damschen, Trustee
Cate Burrows, Trustee
Mark Cohen, Trustee
Robert Majka, Trustee
Lucy Delgadillo, Trustee
Jon Pierpont, Trustee
Edward Leary, Trustee

Staff:

Grant Whitaker, UHC President and CEO
Cleon Butterfield, UHC Senior Vice President and CFO
Jonathan Hanks, UHC Senior Vice President and COO
Claudia O'Grady, UHC Vice President Multifamily Finance
Jeff Parrish, Executive Assistant

Guests:

Preston Olsen – Ballard Spahr, LLC

Trustees of the Utah Housing Corporation (UHC or Utah Housing) and UHC staff met in a Regular Meeting on February 25, 2016, at 1:30 PM MDT at the offices of Utah Housing Corporation, 2479 S Lake Park Blvd, West Valley City, UT.

The meeting was called to order by Chair, Kay Ashton. The Chair then determined for the record that a quorum of Trustees was present, as follows:

Kay Ashton, Chair
Lerron Little, Vice Chair
David Damschen, Trustee
Cate Burrows, Trustee
Mark Cohen, Trustee
Robert Majka, Trustee
Lucy Delgadillo, Trustee
Jon Pierpont, Trustee
Edward Leary, Trustee

The Chair excused the following Trustees: None.

The Chair welcomed everyone to the meeting. The Chair then introduced the President and CEO, Grant Whitaker, and announced that he would be taking the Trustees through the Board Packet.

Grant S. Whitaker, President of Utah Housing, then reported that the Notice of the Special Meeting was given to all Trustees of Utah Housing and that material addressing the agenda items had been distributed to the Trustees in advance of the meeting.

Mr. Whitaker then acknowledged a Verification of Giving Notice, evidencing the giving of not less than 24 hours public notice of the date, time, place and summary of agenda of the Utah Housing Corporation Special Meeting in compliance with the requirements of the Open and Public Meetings Act, Section 52-4-202, Utah Code Annotated 1953, as amended; together with

the form of Notice of Regular Meeting referred to therein; and also the required public notice of the 2016 Annual Meeting Schedule of Utah Housing will be entered into the Minutes.

The Chair called for the first agenda item.

1. Approval of the Minutes of December 10, 2015 Special Meeting

The Trustees had been provided with a copy of the written minutes of the December 10, 2015 Special Meeting in their board packets. The Trustees acknowledged they had sufficient time to review these minutes. Mr. Ashton asked for any discussion on the December 10, 2015, minutes as presented.

Following any discussion, the Chair called for a motion.

**MOTION: TO APPROVE THE WRITTEN MINUTES OF THE
SPECIAL MEETING OF DECEMBER 10, 2015.**

**Made by: Robert Majka
Seconded by: Lerron Little
Vote: Unanimous Approval**

The Chair called for the next agenda item.

2. Resolution 2016-01, Authorizing the issuance of not to exceed \$150,000,000 GNMA MBS

A RESOLUTION OF THE UTAH HOUSING CORPORATION AUTHORIZING THE PURCHASE OF NOT TO EXCEED \$150,000,000 OF SINGLE FAMILY MORTGAGE LOANS, THE EXCHANGE OF SUCH MORTGAGE LOANS FOR GINNIE MAE MORTGAGE-BACKED SECURITIES, THE SALE OF SUCH GINNIE MAE MORTGAGE-BACKED SECURITIES AND AUTHORIZING ALL DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND RELATED MATTERS.

Mr. Whitaker introduced Resolution 2016-01 and began by stating that he would like to handle this like we have in the past where we've had resolutions authorizing various capital sources and begin by asking you to turn the first Operating Report, Capital Sources. We can see the production levels for all capital sources back to 2009, and particularly, the 1st half of FY2015-16. The total funding sources in FY2016 ending December 31st is \$459,500,000 (annualized over \$900,000,000). This year, so far, is starting out substantially ahead of last year. We could see a big year. In this six month period, we've collected premiums a little over \$22,000,000 on the transactions.

Mr. Ashton asks Mr. Whitaker if he has a sense of if it's just the marketplace. What's creating that, from your perspective?

Mr. Whitaker confirms that he does think the housing market is doing well. First time home buyers are moving out of the basement. The other thing we just learned about was that the National Homebuyer's Fund has been suspended. That's going to likely increase the amount of business we see here too.

Mr. Ashton comments that a suspension notification was issued with no explanation and one could not be found online. Mr. Whitaker comments that there may be answers in the new HUD handbook.

Mr. Whitaker then asked the board to turn to the second of the Operating Reports, SF Loan Production/Capital Sources, which shows the last four years' worth of production in capital sources. These calendar year reports demonstrate that the production numbers have gone from \$418,000,000 in 2012 to last year's absolute record of \$759,000,000; up from last year's \$597,000,000 – a 27% increase in one year. That's why we are asking for more money to be authorized for the transactions that we do. Since the beginning of this year, our loan reservations are at \$92,000,000 compared to the same time last year which was a record \$77,000,000. Mr. Whitaker opined that it's really good for the economy and for the housing market generally.

Stepping back to Resolution 2016-01, this is approving the single capital source of our Ginnie Mae Mortgage Backed Securities. These are our standard MBS; these are not the tax exempts. This has been the primary source of funding for our loan production. It was 45% of 2015. We have three different loan programs that we can put into this; First Home, Home Again and SCORE programs. In addition, our streamline refi's can all be funded from these Ginnie Mae Mortgage Backed Securities.

We have six different broker dealers to bid on the securities and we take the one that will offer the highest premium. Since 2009, we've had \$72,000,000 worth of premiums earned on this type of Ginnie Mae Security. This resolution approves another \$150,000,000 of issuance. The first mortgage rate, the resolution states, shall not to exceed 6%. The current rates are from 3-1/2 to 5-5/8th for a 60 day lock on a refi and it authorizes UHC's general funds to be used for 2nd mortgages in an amount up to 6% of each 1st mortgage amount and at a rate 2% above the 1st mortgage rate. Program limits are as previously approved and approving this resolution will enable us to keep our production levels high and continue to serve our mission.

Mr. Whitaker recommended that Resolution 2016-01 be adopted.

Mr. Ashton commented that this was standard procedure, but does anyone have any questions at all?

Mr. Damschen asked if these are commonly or always funding one to one-off of the lines that have already funded transactions up-front. Are they multiple tranches that are issued under this resolution throughout the period of time or is it that you do the issuance in one shot based on the projected funding needs? How does that work?

Mr. Whitaker stated that we'll issue 2 – 3 Ginnie Mae TBA's a week, typically, so we hedge the loans regularly. We're buying our mortgages daily with our own cash or we've got the lines of credit with UBS, American Express and Synchrony. We use our own money first and then we dig into those others as we need to, usually toward the end of the month. We then settle on all of the Ginnie Mae's on about the 20th of the month, but there could be quite a few different transactions in there. Our staff, with Cleon, Dave & Jonathan, has done amazing stuff with this. Not all of the HFA's can do these and we were probably the 4th or 5th to start doing TBAs and we are still one of the few that services their own loans along with its TBA work. It was good that we've had all of that experience and capability behind us because it's enabled us to do the volume that we've done.

Mr. Butterfield then added that, we'll hedge about \$1,000,000 and deliver into the hedges. We've got that down and so when we're hedging we're looking at what the estimated pull through is and then we're just trying to make sure we're never more than \$1,000,000 to \$1,500,000 in loan commitments without hedges.

Mr. Butterfield reported our pull through rate is about 90%, which is really pretty good. Mr. Hanks also added that we just made a change a couple of months ago to allow for an optional delivery on everything but the First Home loan product which remains mandatory. Historically, the pull through had been about 95%, it's come down a little bit, but still our counterparts are shocked that we get that much pull through, as they experience a 70% - 75% pull through on their loans. It makes our hedging very effective knowing we have a high pull through rate.

Mr. Whitaker added that a pull through rate means that 90% of our loan reservations materialize into closed loans. Mr. Butterfield stated that we've never had to buy back or pair-off a hedge; we've been able to deliver all of them.

Mr. Ashton added that there were some things on the lender side that contributes to that because most lenders don't reserve those funds until the loans have been fully approved. Generally speaking, you're closing a transaction within a week of when you make the reservation. We have to deliver to Utah Housing within 30 days of that reservation and so you really have to close within a week or two in order to deliver on time for it to go through the quality control processes that you have to perform.

Mr. Majka stated that you use your own cash first and then draw on a line generally at the end of the month. How long do you pull on that line and how long is it outstanding on that line, and at what rate Mr. Whitaker said that it's just a matter of days, generally. UHC's cash is invested in the Utah Public Treasurers Investment Fund (PTIF) at the State Treasurer's office and it's paying us about a 3/4 % so that's our cheapest cost of money. Our costs, when we draw on the lines of credit, are about 85 basis points. We're using a pool of about \$100,000,000.

Mr. Ashton then asked if there were any additional comments or discussion from the Committee members or the Board, and following any additional discussion asked for a motion to adopt the resolution.

Motion: TO APPROVE RESOLUTION 2016-01 OF UTAH HOUSING CORPORATION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$150,000,000 GNMA MBS

Made by: Lerron Little
Seconded by: David Damschen

Mr. Ashton asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

David Damschen	No interest to disclose
Edward Leary	No interest to disclose
Cate Burrows	Yes, as filed with UHC
Lerron Little	Yes, as filed with UHC
Jon Pierpont	No interest to disclose
Lucy Delgadillo	No interest to disclose
Mark Cohen	Yes, as filed with UHC
Robert Majka	No interest to disclose
Kay Ashton	Yes, as filed with UHC

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Mr. Ashton called for a vote on the motion:

Vote: Approved Unanimously

The Chair called for the next agenda item.

3. Resolution 2016-02, Authorizing the issuance of not to exceed \$150,000,000 Tax-Exempt GNMA MBS.

A RESOLUTION OF UTAH HOUSING CORPORATION (“UHC”) AUTHORIZING THE ISSUANCE AND SALE OF SINGLE FAMILY TAX-EXEMPT MBS BACKED SECURITIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$150,000,000; AUTHORIZING THE EXECUTION OF GENERAL AND SERIES INDENTURES, MORTGAGE PURCHASE AGREEMENTS, DISCLOSURE STATEMENTS, MASTER SECURITIES FORWARD TRANSACTIONS

AGREEMENTS, BOND PURCHASE AGREEMENTS AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

Mr. Whitaker introduced Resolution 2016-02, which authorizes the issuance and sale of not to exceed \$150,000,000 Single Family Tax-Exempt MBS Backed Securities. These are the MBS that we were selling for a couple of years to Wells Fargo. Then, as they were winding down that business and our investment bankers moved to Stifel-Nicholaus, we're presently selling to them. This is a primary source of funding for UHC's FirstHome Loan production (at 45% of 2015 reservations).

The FirstHome program is the one we've had in place, literally, since day one. It's for first time home buyers and all of the loans have to meet the tax-exempt qualifying requirements that are set out by the Department of the Treasury and the Internal Revenue Service. Reservations for FirstHome since January 1st is \$45,000,000 compared to year at \$32,000,000. This still continues to be a major part of what we do. There has been a little slowdown past couple months as loan production was sold into the refunding bonds sold in December. Now we are back to previous levels. Resolution 2016-02 approves another \$150,000,000 of issuance. The 1st mortgage rate will not exceed 5.5 % (currently at 3.51%). It authorizes UHC's general funds to be used for the 2nd mortgages, for the down payment assistance at up to 6% of 1st mortgage amount and at 2% higher than 1st mortgage rate. Those are 30 year amortizing loans. The program limits are as previously approved. Approving the resolution will enable Utah Housing to keep its production levels high and to continue to serve its mission.

Mr. Whitaker recommended that Resolution 2016-02 be adopted.

Mr. Ashton then asked if there were any additional comments or discussion from the Board, and following any additional discussion asked for a motion to adopt the resolution.

Motion: TO APPROVE RESOLUTION 2016-02 OF UTAH HOUSING CORPORATION AUTHORIZING THE ISSUANCE OF SINGLE FAMILY TAX-EXEMPT MBS BACKED SECURITIES NOT TO EXCEED \$150,000,000.

Made by: Robert Majka
Seconded by: Lerron Little

Mr. Ashton asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

David Damschen	No interest to disclose
Edward Leary	No interest to disclose
Cate Burrows	Yes, as filed with UHC
Lerron Little	Yes, as filed with UHC

Jon Pierpont	No interest to disclose
Lucy Delgadillo	No interest to disclose
Mark Cohen	Yes, as filed with UHC
Robert Majka	No interest to disclose
Kay Ashton	Yes, as filed with UHC

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Mr. Ashton called for a vote on the motion:

Vote: Approved Unanimously

The Chair called for the next agenda item.

4. Resolution 2016-03, Authorizing the Sale of Single Family Taxable Mortgage Bonds not to exceed \$100,000,000.

A RESOLUTION OF UTAH HOUSING CORPORATION (“UHC”) AUTHORIZING THE ISSUANCE AND SALE OF SINGLE FAMILY MORTGAGE BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$100,000,000; AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE GENERAL INDENTURES, SERIES INDENTURES, BOND PURCHASE CONTRACTS, OFFICIAL STATEMENTS, MORTGAGE PURCHASE AGREEMENTS AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

Mr. Whitaker introduced Resolution 2016-03, approving issuance of not to exceed \$100,000,000 Taxable Mortgage Bonds. This is something that we do typically once a year. These are taxable mortgage bonds. They look a lot like the tax-exempts that we did for many years except that they are taxable and they are sold through Zion’s Bank Public Finance.

Typically, they find investors here in Utah. Some of the industrial banks are willing to purchase them, and it’s another small but reliable source of funding for UHC’s loan production. We’ve averaged about \$63,000,000 per year beginning in 2012. Investors are willing to accept portfolios of FHA insured loans with an average 80% AMI or less. It’s a small source of what we’ve done; about 5% of everything we did last year.

This will approve another \$100,000,000 of issuance. The resolution states a limit on the 1st mortgage rate that will not exceed 5.5 % (currently at 3.50-4.625%). This resolution authorizes

UHC general funds to be used for 2nd mortgages at up to 6% of 1st mortgage amount and at 2% higher than 1st mortgage rate. It authorizes use of UHC General Funds to cover any negative arbitrage, although none is expected.

We've been able to purchase the mortgages in advance of the transaction; such that between the time that we price it and the time that we close on it, we've already acquired all of the mortgages so we can just roll them right into it and avoid any negative carry.

We've been able to put a lot of different types of mortgages into these as long as they are FHA insured and it's been a good source of funding. For example, when we have to purchase mortgages back from a Ginnie Mae transaction, we've been able to put them into this deal and they are still FHA insured.

Program limits are as previously approved and approving the resolution will enable Utah Housing to keep its production levels high and to continue to serve our mission. Mr. Whitaker recommended that Resolution 2016-03 be adopted.

Mr. Ashton then asked if there were any additional comments or discussion from the Board, and following any additional discussion asked for a motion to adopt the resolution.

Motion: **TO APPROVE RESOLUTION 2016-03 OF UTAH HOUSING CORPORATION AUTHORIZING THE SALE OF SINGLE FAMILY TAXABLE MORTGAGE BONDS NOT TO EXCEED \$100,000,000.**

Made by: **David Damschen**
Seconded by: **Cate Burrows**

Mr. Ashton asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

David Damschen	No interest to disclose
Edward Leary	No interest to disclose
Cate Burrows	Yes, as filed with UHC
Lerron Little	Yes, as filed with UHC
Jon Pierpont	No interest to disclose
Lucy Delgadillo	No interest to disclose
Mark Cohen	Yes, as filed with UHC
Robert Majka	No interest to disclose
Kay Ashton	Yes, as filed with UHC

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Mr. Ashton called for a vote on the motion:

Vote: Approved Unanimously

The Chair called for the next agenda item.

5. Resolution 2016-04, Authorizing the issuance of an amount not to exceed \$75,000,000 Fannie Mae MBS or whole loan sales.

A RESOLUTION OF UTAH HOUSING CORPORATION (“UHC”) AUTHORIZING THE PURCHASE OF UP TO \$75,000,000 OF SINGLE FAMILY MORTGAGE LOANS, THE SALE OF SUCH MORTGAGE LOANS TO FANNIE MAE FOR CASH OR THE EXCHANGE OF SUCH MORTGAGE LOANS FOR FANNIE MAE MORTGAGE-BACKED SECURITIES, THE SALE OF SUCH FANNIE MAE MORTGAGE-BACKED SECURITIES, AND AUTHORIZING ALL DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND RELATED MATTERS.

Mr. Whitaker introduced Resolution 2016-04, authorizing the issuance of Mortgage Backed Securities & whole loans sold to Fannie Mae. This is the last of our single family resolutions today. This funds our NoMI Loan product. We’ve issued nearly \$313,000,000 since 2013, when we first came out with it. This is equal to about 16% of CY 2015’s capital sources.

The NoMI loan product offers the lowest monthly payment because the borrower pays no mortgage insurance premium even though they have a higher mortgage rate, which offsets our risk without the mortgage insurance if that loan goes bad in the 1st twelve months, we have to purchase it back from Fannie Mae. We cover the risk on that by having a higher interest rate and by requiring FICO score of 700 or above.

After checking with our servicing department yesterday, it looks like there are 2 loans being repurchased & 1 foreclosure where the owner died out of over 1700 loans. It’s a little smaller source of income from premiums (4% avg vs 6% GNMA). We use the same 6 different Broker Dealers bid on the securities, UHC taking the highest premium.

Resolution 2016-04 approves another \$75,000,000 in issuance and the 1st mortgage rate is currently 4.625%. It authorizes UHC general funds to be used for 2nd mortgages at up to 4% of 1st mortgage amount and at 2% higher than 1st mortgage rate. The program limits are as previously approved. Approving the resolution will enable Utah Housing to keep its production levels high and to continue to serve its mission.

We’ve seen a big slowdown in this recently. We were about 15% for quite some time and now we’re down to about 8%. Mr. Hanks said that FHA reduced their mortgage rates back in January and that pushed a lot of production there.

Mr. Whitaker recommended that Resolution 2016-04 be adopted.

Mr. Ashton then asked if there were any additional comments or discussion from the Board, and following any additional discussion asked for a motion to adopt the resolution.

Motion: TO APPROVE RESOLUTION 2016-04 OF UTAH HOUSING CORPORATION AUTHORIZING THE ISSUANCE OF AN AMOUNT NOT TO EXCEED \$75,000,000 FANNIE MAE MBS OR WHOLE LOAN SALES.

Made by: Lerron Little
Seconded by: Robert Majka

Mr. Ashton asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

David Damschen	No interest to disclose
Edward Leary	No interest to disclose
Cate Burrows	Yes, as filed with UHC
Lerron Little	Yes, as filed with UHC
Jon Pierpont	No interest to disclose
Lucy Delgadillo	No interest to disclose
Mark Cohen	Yes, as filed with UHC
Robert Majka	No interest to disclose
Kay Ashton	Yes, as filed with UHC

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Mr. Ashton called for a vote on the motion:

Vote: Approved Unanimously

The Chair called for the next agenda item.

6. Resolution 2016-05, Authorizing a tax-exempt mortgage loan of not to exceed \$12,340,000 to finance the acquisition and construction of the Granary Place Apartments, Salt Lake City, Utah.

A RESOLUTION OF UTAH HOUSING CORPORATION (“UHC”) AUTHORIZING A MORTGAGE LOAN IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$12,340,000 TO FINANCE THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF A MULTIFAMILY RENTAL HOUSING DEVELOPMENT; AUTHROZING

THE EXECUTION BY UHC OF A FUNDING LOAN AGREEMENT, A FUNDING LOAN NOTE, A PROJECT LOAN AGREEMENT, A TAX REGULAROTY AGREEMENT AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

Mr. Whitaker introduced Resolution 2016-05, authorizing a tax-exempt mortgage loan of not to exceed \$12,340,000 to finance the acquisition and construction of the Granary Place Apartments in Salt Lake City, Utah. Utah Housing has issued over \$817,000,000 tax-exempt and taxable multifamily bonds. We've financed 11,575 units of low-moderate rental housing in 96 projects. Tax law requires that these serve low and moderate income people. Resolution 2016-05 approves a type of structure that is becoming the norm.

UHC's first transaction like this was closed in December 2015 for the 616 Lofts and was a tax-exempt loan vs. tax-exempt bonds. This is a newly developed Freddie Mac structure. We first heard about it last summer and Utah Housing was among the first State HFAs to issue this type of transaction.

This resolution approves the issuance of up to a \$12,340,000 Tax-Exempt loan. Just like our typical "conduit" bond issues, UHC has no risk in this transaction if the project stumbles. We continue to be very much isolated from any risk on this type of transaction. The Granary Place is a 134 unit project on 700 South, west of Mark Miller Toyota as a landmark.

This is the first bond or tax credit project for this developer, but they have developed at least 6 other market rate projects in Utah, so they are capable of pulling this off. Approving the resolution will enable Utah Housing to serve its mission to serve lower income renters.

Mr. Whitaker recommended that Resolution 2016-05 be adopted.

Mr. Ashton then asked if there were any additional comments or discussion from the Board, and following any additional discussion asked for a motion to adopt the resolution.

Motion: TO APPROVE RESOLUTION 2016-05 OF UTAH HOUSING CORPORATION AUTHORIZING A TAX-EXEMPT MORTGAGE LOAN OF NOT TO EXCEED \$12,340,000 TO FINANCE THE ACQUISITION AND CONSTRUCTION OF THE GRANARY PLACE APARTMENTS IN SALT LAKE CITY, UTAH.

Made by: Cate Burrows
Seconded by: Edward Leary

Mr. Ashton asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

David Damschen	No interest to disclose
Edward Leary	No interest to disclose
Cate Burrows	Yes, as filed with UHC
Lerron Little	Yes, as filed with UHC
Jon Pierpont	No interest to disclose
Lucy Delgadillo	No interest to disclose
Mark Cohen	Yes, as filed with UHC
Robert Majka	No interest to disclose
Kay Ashton	Yes, as filed with UHC

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Mr. Ashton called for a vote on the motion:

Vote: Approved Unanimously

The Chair called for the next agenda item.

7. Resolution 2016-06, Reservation of Federal Low Income Housing Tax Credits (4%) and State Low Income Housing Tax Credits.

A RESOLUTION OF UTAH HOUSING CORPORATION (“UHC”) RESERVING FEDERAL AND STATE HOUSING TAX CREDITS.

Mr. Whitaker began by stating that we’re hearing that we’re going to see more multifamily transactions coming at us in this next year than we’ve ever seen before and they are likely to be using the tax exempt loan structure because it works very well for the developer. We’re hearing that demand could be as much as \$150,000,000 this year. The good news is that it’s producing affordable rental housing and the bad news is that we also need that private activity bond cap for our tax-exempt single family loan program. At some point, we may have to tamp down some of the demand; we’ll possibly have to reduce income limits at some point. That’s something we’ll probably see over the next 4 to 6 months.

Mr. Little then comments that this is the first time in a long time where he has seen the National Association of Realtors express concern that home prices were increasing too quickly and affordability indexes were going crazy He thought that’s what’s pushing the multifamily products so much more is that we lost the affordability in the state.

Mr. Ashton commented that in Davis County, the real estate agents are concerned with the amount of inventory. There is so little in the way of inventory that it’s pushing prices up; Supply and Demand. Builders are crying the blues because they can’t find buildable lots and then the challenge of finding development money are contributing to that inventory issue as well.

Mr. Whitaker stated that Resolution 2016-06 approves a reservation of Federal 4% Low Income Housing Tax Credits for the Granary Place Apartments located in Salt Lake City, Utah. 4% tax credits are not competitive, the amount of Private Activity Bond cap that they got for the tax-exempt bonds is the limiting amount and so there is no limit for these tax credits and there is no competition for them directly. The 4% Credits are available only to projects that fund at least 50% of eligible costs with tax exempt bonds.

Over 6,000 units of low-income rental housing in 47 projects have been funded this way, with 4% credits and tax-exempt bonds. Resolution 2016-06 proposes we reserve \$778,665 Federal 4% Credits for Granary Place.

Resolution 2016-06 also approves reservation of State of Utah Tax credits for two projects in Vernal. Utah Housing is the designated allocator of Federal and State Housing Credits. State Tax Credits are typically used to provide gap financing when project revenues are not sufficient to cover all development costs when very low income units are included, and respective rents are too low to cover all required debt service. Another use of State Credits is to cover a gap when unexpected costs are met.

Resolution 2016-06 proposes we reserve \$71,973 for Vernal Gardens I and Vernal Gardens II. This is an unusual but legitimate gap. The project has run into significant vacancy problems as a result of the price of oil going low and many people finding themselves out of work, with no income to pay required rents. Vacancies in these two projects are running about 40%. These credits will inject needed equity into the project enabling it to reduce its debt and therefore required debt service payments.

Rents may be reduced to locally affordable levels and vacancies reduced to sustaining levels. Approving the resolution will enable Utah Housing to serve its mission to serve lower income renters.

Mr. Whitaker recommended that Resolution 2016-06 be adopted.

Mr. Majka asked, do you think that this would solve the entire problem or just put a dent in it?

Ms. O'Grady commented that it should sustain them for a few years. We'll see where we are then and look into other resources.

Mr. Ashton then asked if there were any additional comments or discussion from the Board, and following any additional discussion asked for a motion to adopt the resolution.

Motion: TO APPROVE RESOLUTION 2016-06 OF UTAH HOUSING CORPORATION AUTHORIZING A TAX-EXEMPT MORTGAGE LOAN OF NOT TO EXCEED \$12,340,000 TO FINANCE THE ACQUISITION AND CONSTRUCTION OF THE GRANARY PLACE APARTMENTS IN SALT LAKE CITY, UTAH.

Made by: Lucy Delgadillo
Seconded by: David Damschen

Mr. Ashton asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

David Damschen	No interest to disclose
Edward Leary	No interest to disclose
Cate Burrows	Yes, as filed with UHC
Lerron Little	Yes, as filed with UHC
Jon Pierpont	No interest to disclose
Lucy Delgadillo	No interest to disclose
Mark Cohen	Yes, as filed with UHC
Robert Majka	No interest to disclose
Kay Ashton	Yes, as filed with UHC

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Mr. Ashton called for a vote on the motion:

Vote: Approved Unanimously

The Chair called for the next agenda item.

8. **Resolution 2016-07, Authorizing the funding of accounting and technology upgrades not to exceed \$750,000.**

A RESOLUTION OF UTAH HOUSING CORPORATION (“UHC”) ADOPTING A MUTLI-YEAR IT BUDGET IN AN AMOUNT NOT TO EXCEED \$750,000 FOR THE DEVELOPMENT AND IMPLEMENTATION OF THE CURRENT YEAR’S BUSINESS PLAN FOR NEW AND UPGRADED TECHNOLOGIES ACROSS THE ORGANIZATION.

Mr. Whitaker began by saying that this is funding some of the proposed upgrades that were adopted as part of our business plan for this year. We've been working on them and looking at thing for quite some time.

There are four primary technologies that are being upgraded or replaced; including a new general ledger system that's more than 20 years old, and the peripheral software we use to account for investments and bonds and other financial securities which would be compatible with the new GL system. The third item is a new packaged mortgage reservation and loan purchasing system. We've looked at a bunch of different canned type of products and they've never quite met all of the needs that we have, but we believe we've found one now that is call PowerLender, that will enable us to do things more efficiently. Our current loan reservation and purchasing system was developed in house and programmed by hand in an archaic language, RPG. The fourth enhancement is to the systems used by the Multifamily Finance Department, to blend with common automations used through UHC.

These technologies are long overdue and will enhance the efficiency of the staff and the delivery of electronic files and data from business partners. Security of our data will also be enhanced.

Mr. Butterfield commented that when we proposed the budget last year, we said we'd be back for this component. We're really excited about the packages we're looking at right now.

Mr. Majka asked, from start to finish, how long will this be? Mr. Butterfield said that our goals are that the peripheral investment tracking package for the GL will be up and running by the end of the fiscal year; which is pretty aggressive. If we can do that, we can track the other system on a parallel basis and feel like we can do it right. After this year's audit, we'll close down the old system and only run on the new. The new GL will come in next year. Mortgage banking is going to start this fiscal year and probably roll over through the summer. The Mortgage banking system should be in place by October. That last item will come in once the others are done.

Mr. Whitaker recommended that Resolution 2016-07 be adopted.

Mr. Ashton then asked if there were any additional comments or discussion from the Board, and following any additional discussion asked for a motion to adopt the resolution.

Motion: TO APPROVE RESOLUTION 2016-07 OF UTAH HOUSING CORPORATION ADOPTING A MUTLI-YEAR IT BUDGET IN AN AMOUNT NOT TO EXCEED \$750,000 FOR THE DEVELOPMENT AND IMPLEMENTATION OF THE CURRENT YEAR'S BUSINESS PLAN FOR NEW AND UPGRADED TECHNOLOGIES ACROSS THE ORGANIZATION.

Made by: Robert Majka
Seconded by: Lerron Little

Mr. Ashton states that since this is an administrative matter, there will be no call for conflicts.

Mr. Ashton called for a vote on the motion:

Vote: Approved Unanimously

Other items of Business

Mr. Ashton then called for a review of the Operating Reports and asked for Mr. Butterfield and Mr. Hanks to lead the conversation.

The Chair noted that when former State Treasurer Ellis resigned it left a vacancy on the Board's Audit Committee. He reported that David Damschen has agreed to serve on the Audit Committee however a new Chair must be appointed. Mr. Ashton inquired if Mr. Majka would be willing to serve in that capacity. Mr. Majka affirmed that he would be willing. Mr. Ashton then made the appointment of Mr. Majka as Audit Committee official.

Mr. Whitaker reported that two bills affecting Utah Housing were introduced and passed unanimously in both houses and were awaiting action by the governor. SB24 extends the sunset of the UHC Act. Each legislatively created entity has a sunset which if not extended would cause the entity to cease activities. UHC has a sunset of 2016. This legislation keeps UHC alive until 2016. SB60 similarly extends the sunset of the State Low Income Housing Tax Credit for another 10 years.

Mr. Whitaker reported that at the request of a member of the Utah House of Representatives, he was invited to a discussion in the governor's offices regarding the financing of mortgage loans for members of the Hildale community who have chosen to discontinue following the FLDS church and who now wish to purchase homes they built from the United Effort Plan Trust that has been appointed by the courts as the trustee of the remaining assets of the FLDS church. UHC may be able to offer one or more of its loan products to enable these purchases to take place.

Following the other items of business The Chair adjourned the meeting.